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11. (SBU) Summary: Fresh from participation at the annual 3GSM World Conference in Barcelona, participants at a recent telecom sector conference in Istanbul were agog with new visions, technology, and opportunities. Coming back to earth, there was widespread frustration with recently privatized and still dominant (in fixed line) Turk Telekom continuing to seek to stifle competition, rather than seek to increase market share. Moreover, the well-intentioned telecom regulatory authority is still perceived as slow in implementing new licenses. Real competition is emerging between Turk Telecom and the livelier mobile sector, where penetration has surpassed well over that in fixed line. The President of the Telecom Board aims to lead a delegation to meet with the FCC in April. Embassy Telecom Officer gave a speech on Internet regulation at the conference. End Summary.

Brave New World of 3G, WIMAX, and Beyond

12. (SBU) The 6th "Steam" Telecommunications Conference in Istanbul February 22-23 brought together a wide representation of Turkey's public and private telecom sector participants to seek to answer the question: "Is the (telecom) process meeting expectations?" By videoconference from Bodrum, Minister of Transportation and Communication Binali Yildirim emphasized the government's commitment to developing the newest telecom technology and services in Turkey. He noted that mobile penetration had reached 73 % (53 million subscribers) versus fixed line 26% (19 million). He voiced commitment to increasing broad-band penetration beyond the current 5% (three million).

13. (SBU) Telecom Board President Tayfun Acarer said that the regulatory body was preparing for licensing number portability, E-signature, 3G, and WiMax. The time frame is imminent for the first two and six months for 3G. WiMax is still under research. Another regulator rep stressed that the board was active in moving forward on value-added services. He asserted that there would soon be clarification in the three levels of long-distance service (A, B, and C) and that the Board was finalizing a new basic fixed line service license.

What is Fair Competition?

14. (SBU) Turk Telekom General Manager Paul Doany was very defensive about steady criticism of Turk Telekom for alleged unfair competition. He claimed that his company had never delayed any rulings from the regulator. Doany defended recent price changes (decrease in long distance, where there is competition, and increase in local service where there is still a monopoly), claiming that he was clear at the time of privatization for a need to rebalance tariffs. He defended Turk Telekom as following the same business approach of other former monopoly providers like Deutsche Telecom and France Telecom. Doany complained that Turk Telekom faced "unfair competition" in high, unfair inter-connection fees with Turkcell, the dominant mobile carrier, asserting that these charges were not cost based. He also complained that Turk Telekom's mobile company AVEA had paid ten times the license fee of others in return for unrealized promised services.

15. (SBU) Representing his own company Satko and long-distance operators (Telkoder), Mehmet Celebiler engaged in a lively debate with Turk Telekom's number two, almost coming to fistbumps over Turk Telekom's alleged go-slow and say-no approach to competition.

16. (SBU) Internet service provider Superonline DG Savas Unsal noted there was some progress in the six years since the onset of liberalization, but market participants were unsatisfied. He said his company had established many WiFi hot-spots at airports and hotels and was pleased to have a WiMax testing license in collaboration with Motorola and Alcatel-Lucent for 3.5 GHz operation in the Asian part of Istanbul. He called for increased public awareness of WiMax potential and urged the regulatory board to move more quickly on licensing. Unsal also called for quick action from the board on 3G licenses. He said that WiMax was a revolution, not evolution.

17. (SBU) Dr. Osman Dur, DG of state-owned Turksat, which inherited cable service from Turk Telekom's privatization, claimed that

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Turksat "is not a monopoly. We are an infrastructure, and we are ready to share." He admitted that cable Internet service had much greater potential than had been realized. He commented that Turkish private sector licensees could establish their own network, but they have not pursued this. Critics express frustration that cable could have opened up greater competition, but the Competition Authority required the cable business to be split from Turk Telekom to Turksat ahead of the privatization.

Stifling Competition, Rather than Building Market

18. (SBU) In a private conversation on the margins of the conference, Dogan Telecom General Manager Cem Erkun painted an overwhelmingly negative story of Turkey's slow liberalization. He claimed that the Telecom Authority has still not been able to exercise independence and is slow to intervene or enforce rulings. Erkun asserted that Turk Telekom aimed to beat up competitors, rather than increase the market. He complained that Turk Telekom remains a difficult partner on interconnection, seeking to unfairly use court cases to infringe Dogan's and others' use of VOIP. Erkun complained that given Turk Telekom's former government status and connections, Dogan encounters obstacles at every step and place in seeking right of way when they consider investing in new infrastructure.

19. (SBU) Erkun said only Dogan Telecom and Superonline have been successful in re-marketing ADSL broad-band service slots from Turk Telekom, because of either substantial media (national Hurriyet for Dogan) or distribution assets. Erkun noted that Dogan began marketing its service with free modems and Turk Telekom then started to give away modems. He noted that Turk Telekom still exhibited large differences in its approach depending on the city, meaning that in some cities Dogan could not get ADSL slots or reasonable

follow-up. Erkun echoed many of his peers in expressing frustration in waiting for WiMax. He saw 3G as a dead and distracting technology, given the lack of success in Europe (too much money paid for licenses). Erkun noted that Dogan was Skype's local partner in Turkey and lauded this low margin but high volume business.

¶10. (SBU) COMMENT: Effective competition is now occurring between mobile (dominant Turkcell plus two other lesser operators) and fixed line Turk Telekom. Penetration is rapidly increasing in mobile where there is substantial competition. Turk Telekom continues to successfully argue that it has made substantial investment in fixed line infrastructure, so it has maintained its monopoly on local calls and continues to exercise dominance over long distance. The wide-eyed excitement about new technology is dampened by Turk Telekom's delaying tactics and a slow program and limited independence on the part of the regulator. Telecom Board President Tayfun Arcarer intends to lead a delegation to Washington to meet with the FCC in April. Contact between our regulators could be very useful in empowering and influencing the relatively young Turkish regulator.

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